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REPORT OF THE SECRETARY-GENERAL PURSUANT TO PARAGRAPH 10 OF SECURITY COUNCIL RESOLUTION 1153 (1998)

I. INTRODUCTION

1. Pursuant to paragraph 5 of Security Council resolution 1153 (1998) of 20 February 1998, the enhanced distribution plan was submitted by the Government of Iraq on 27 May 1998 and was approved by the Secretary-General on 29 May 1998 (S/1998/446). Accordingly, a new 180-day period commenced at 0001 hours United States Eastern Standard Time on 30 May 1998.

2. The present report is submitted pursuant to paragraph 10 of resolution 1153 (1998), which provides information up to 31 October 1998 on the distribution of humanitarian supplies throughout Iraq, including the implementation of the United Nations Inter-Agency Humanitarian Programme in the three northern governorates of Dahuk, Erbil and Sulaymaniyah. It also describes developments in the implementation of the programme since the previous report, submitted to the Council on 1 September 1998 (S/1998/823).

II. REVENUE GENERATION, PROCUREMENT AND DISTRIBUTION TO END-USERS

A. Oil production and sale of petroleum and petroleum products

3. Since the beginning of the current phase, the oil overseers and the Security Council Committee established by resolution 661 (1990) have reviewed and approved a total of 59 contracts involving purchasers from 26 countries, as follows: Algeria (1), Austria (1), Belgium (1), Bulgaria (2), Canada (1), China (1), France (4), India (1), Indonesia (1), Italy (5), Kenya (1), Malaysia (1), Morocco (2), Netherlands (1), Panama (1), Portugal (1), Russian Federation (14), Spain (3), Singapore (1), Slovakia (1), Switzerland (2), Turkey (4), United Arab Emirates (2), United Kingdom of Great Britain and Northern Ireland (4), United States of America (2), and Viet Nam (1).

4. The total quantity of oil approved for export under the above contracts corresponds to approximately 308 million barrels for 180 days - the highest amount since the beginning of the programme. It should be noted that the average quantity of oil exported from Iraq has increased from 1.3 million barrels per day during the previous 180-day period, to 1.7 million barrels per

day during the current reporting period up to 31 October 1998. Concurrently, during this phase, oil prices for Iraqi crude have decreased to around $10 per barrel. At current prices, the total revenue projected for this phase is estimated at $3.15 billion. After the deduction of the minimum pipeline fee of $140 million, and the allocation of revenue as set out in paragraphs 8 (a) to (f) of resolution 986 (1995), an amount of approximately $1.98 billion would be available to finance the humanitarian supplies authorized in resolution 1153 (1998) and the oil spare parts and equipment authorized in resolution 1175 (1998). This amount falls far short of the $3.1 billion required to implement fully the enhanced distribution plan. Under each of the previous three phases, $1.32 billion were made available for the humanitarian programme. It may be recalled that in my letter dated 15 April 1998 (S/1998/330 and Corr.1), I had indicated that according to the group of experts established pursuant to paragraph 12 of resolution 1153 (1998), should the current average price of $10.50 per barrel for Iraqi crude oil remain unchanged, based on the existing capacity of 1.6 million barrels per day, revenues in the amount of only $3 billion could be achieved during a 180-day period, starting in June 1998, provided the spare parts required were ordered immediately.

5. As at 31 October 1998, the export of petroleum from Iraq under the current phase was proceeding smoothly. Two hundred and nine liftings, totalling 255 million barrels at an estimated value of $2,576 million, have been completed. About 50 per cent of the loadings have been made at Ceyhan (Turkey).

6. The oil overseers have continued to advise and assist the Security Council Committee on the pricing mechanism, contract approvals and their modifications, and other questions related to exports and monitoring under resolution 986 (1995) and all subsequent relevant resolutions. The overseers and the independent oil inspection agents, Saybolt Nederland BV, deployed to observe oil loadings and transfers, have also worked closely together to monitor the relevant oil installations.

B. United Nations Iraq Account

7. The United Nations Iraq Account is divided into seven separate funds pursuant to paragraphs 8 (a) to (g) of Security Council resolution 986 (1995). As at 31 October 1998, of the $5.256 billion authorized under resolution 1153 (1998) for the 180-day period starting on 30 May 1998 (phase IV), $2,039.5 million had been deposited into the account for this period, bringing the total oil proceeds deposited to the account since inception to $8,399.2 million. The annex to the present report shows the allocation of the total oil revenue among the various funds and the corresponding expenditures to date.

8. In accordance with paragraph 14 of the Memorandum of Understanding between the United Nations and the Government of Iraq (see S/1996/356), the United Nation Board of Auditors is conducting its third audit of the United Nations Iraq Account and the Iraq Programme. The second report of the Board of Auditors, covering the period 1 July to 31 December 1997, was submitted to me on 2 November 1998, and forwarded to the Government of Iraq and the Security Council Committee on 11 November 1998.

9. The Office of the Iraq Programme, as well as other departments and offices concerned, are taking the necessary action to implement the recommendations of the Board of Auditors.

C. Prioritization, processing and approval of applications, delivery to Iraq and distribution to end-users

ESB (53 per cent) account

10. During the reporting period, the Office of the Iraq Programme processed applications for both phase III and the current phase under the enhanced distribution plan. In accordance with the procedures of the Security Council Committee, the Secretariat continued to circulate for its consideration and approval applications in advance of the availability of funds, on the understanding that approval letters would be released by the Secretariat only after confirmation that sufficient funds were available.

11. For phase III, 63 approval letters valued at $63,751,631 were awaiting the availability of funds. The rate at which these letters can be issued depends on reimbursements from the ESC (13 per cent) account to the ESB (53 per cent) account. Reimbursement is effected when the goods are delivered to northern Iraq. For the enhanced distribution plan, 141 approval letters valued at $378,531,496 were awaiting issuance. This was due primarily to a revenue shortfall resulting from low oil prices.

12. Due to phase IV revenue shortfalls, the full sectoral allocations set out in the enhanced distribution plan could not be met during the current period of 180 days. Accordingly, the Office of the Iraq Programme has been reviewing with the Permanent Mission of Iraq the Government's proposed revised allocations, bearing in mind that sufficient funds should be made available to meet the priorities set out in the enhanced distribution plan, including food and nutrition, the health sector, and spare parts and equipment for the Iraqi oil industry. Approval letters continue to be released, in accordance with the availability of funds, through an enhanced process of weekly consultations with the Government of Iraq.

13. Approved contracts for oil spare parts and equipment continue to be financed on a proportionate basis from the ESB (53 per cent) and ESC (13 per cent) accounts, as directed by the Security Council Committee. As at 31 October 1998, 277 applications for oil spare parts and equipment worth $155,932,902 had been received by the Secretariat, of which 217, worth $132,632,124, had been circulated to the Committee; 112, worth $88,819,265, were approved and 77, worth $37,998,946, were on hold; 15, worth $2,963,875, were being processed; and 5 had been cancelled. The Secretariat continues, with the assistance of the independent oil experts, to provide the Committee with technical information to facilitate the approval of these applications. Applications for oil industry spare parts received that require an amendment to the distribution plan or other clarifications continue to be a major source of delay in processing. As at 31 October 1998, 40 such applications, worth $20,336,904, were under evaluation by the Office of the Iraq Programme.

ESC (13 per cent) account

14. With respect to the ESC (13 per cent) account, all 385 phase III applications submitted as at 31 October 1998 have been approved. A total of 159 enhanced distribution plan applications had been submitted, with 150 approved and one pending. As a result of ongoing implementation of the information system set out in paragraph 53 (h) of my report of 1 February 1998 (S/1998/90), the Office of the Iraq Programme has intensified its liaison with United Nations agencies and programmes in conjunction with daily reporting by the independent inspection agents since 28 September 1998 upon the arrival in Iraq of commodities financed by the ESC (13 per cent) account.

III. OBSERVATION AND MONITORING ACTIVITIES

A. Inspection and authentication of humanitarian supplies

15. The United Nations independent inspection agents, Lloyd's Register, continue to authenticate the arrival of humanitarian supplies at the entry points in Al-Walid, Trebil, Umm Qasr and Zakho. In paragraph 53 (j) of my report of 1 February 1998 (S/1998/90), I requested the United Nations independent inspection agents to enhance their capacity to perform quality tests within the shortest period technically feasible, as well as to perform quality tests inside Iraq. To this end, the most recent contract with Lloyd's Register provided for a mobile laboratory. Discussions continue with the Government of Iraq concerning the Office of the Iraq Programme's request for permission to set up the laboratory at Trebil. As of 28 September 1998, independent inspection agents have also begun authenticating the arrival of humanitarian supplies procured under the United Nations Inter-Agency Humanitarian Programme for the three governorates of Dahuk, Erbil and Sulaymaniyah.

B. Monitoring of oil spare parts and equipment

16. In its resolution 1175 (1998) of 19 June 1998, the Council authorized States to permit the export to Iraq of the necessary parts and equipment to enable Iraq to increase the export of petroleum and petroleum products in quantities sufficient to produce the sum established in paragraph 2 of resolution 1153 (1998). A monitoring mechanism to ensure effective monitoring of oil spare parts and equipment utilizing the expertise provided by Saybolt Nederland BV, in conjunction with Lloyd's Register, is now operational. Based on the contracts received by the Secretariat, the first spare parts procured under resolution 1153 (1998) could begin to arrive towards the end of January 1999.

C. United Nations observation mechanism

17. The activities of the United Nations observers have been described in detail in previous reports. Several notable initiatives were taken during the current phase. In the food sector, as at 31 October 1998, 92 per cent of the food agents in the south and centre of Iraq and all the food agents in the three

northern governorates had been visited by World Food Programme (WFP) observers. The Geographical Observation Unit undertook observations to verify equitable distribution and access to the ration in Nasiriyah, in response to alleged involuntary population displacements in September 1998. Initial results were inconclusive and will be kept under review.

18. In the health sector, the World Health Organization (WHO) has started to use its list of 451 essential drugs in 15 therapeutic groups as a reference for tracking the availability of supplies. This will provide information on the availability of supplies every 12 weeks and will enable WHO to assess trends over a longer period. The Multidisciplinary Observation Unit and WHO are assisting the Ministry of Health in preparing extensive amendments to the health annex of the enhanced distribution plan. In the water and sanitation sector, the United Nations Children's Fund (UNICEF) undertook a rapid assessment survey of 15 water treatment plants, serving more than 4 million inhabitants in seven governorates in the south and centre of Iraq in order to determine the impact of the programme. The plants were selected according to the number of beneficiaries and the value of supplies allocated under phases I to III. In the agricultural sector, the Food and Agriculture Organization of the United Nations (FAO) conducted end-user surveys on machinery and spare parts, veterinary supplies and agro-chemicals. In the electricity sector, the United Nations Development Programme (UNDP), the Department of Economic and Social Affairs of the United Nations Secretariat and Multidisciplinary Observation Unit observers have reviewed the state of the Nasiriyah and Mullah Abdullah power plants, which involve major rehabilitation projects submitted under the enhanced distribution plan. The results of these surveys are reflected, as appropriate, in section IV below.

19. In the education sector, United Nations agencies and the geographical and multidisciplinary observers have continued to experience difficulties in securing access to warehouses and schools because of the limited capacity of the Ministry of Education to provide enough escorts. Despite improvement during the previous reporting period, no more than four escorts are available at any given time. The Ministry of Foreign Affairs has given assurances that it will increase the pool of escorts.

IV. PROGRAMME IMPLEMENTATION: EFFECTIVENESS, EQUITABILITY AND ADEQUACY

A. Implementation of the programme in the centre and south of Iraq

Food

20. As at 31 October 1998, foodstuffs valued at $2,483,429,089 had arrived in Iraq since the beginning of the implementation of the programme, of which an amount worth $2,128,100,405 was distributed to end-users in the centre and south of the country. The focus of activity in this sector has been to provide a food basket of 2,030 kilocalories per person per day, including 47 grams of protein per person per day, to every registered individual.

21. As a result of the programme review undertaken in January 1998, I recommended, in my supplementary report to the Security Council (S/1998/90), an increase in the caloric value of the food basket to 2,463 kilocalories per person per day. In the enhanced distribution plan, the Government proposed a food basket that would provide 2,300 kilocalories per person per day. However, owing to the limited funds available, the Government has decided to distribute a food basket with the same caloric value as that distributed during phase III, at 2,030 kilocalories per person per day.

22. During the first three months of the present reporting period, the distribution of food met 97 per cent of the planned caloric requirement and 91 per cent of the planned protein requirement of the food basket. Since then, the food basket has been distributed in full. This marks the first time since the beginning of the programme that full rations have been distributed for three consecutive months. In 97 per cent of households consulted, the food baskets were received on time. However, household visits by WFP observers in the south and centre of Iraq show nearly two thirds of households reporting that the food basket lasts only 20 days or less.

23. Food prices offer a sign of the affordability, and therefore the availability, of foodstuffs in the market. Following an overall decline in food prices throughout 1997, food prices have begun to rise in 1998, suggesting a reversal in the trend towards greater affordability of food.

Health and nutrition

24. As at 31 October 1998, medicine valued at $444,680,873 had arrived in Iraq since the beginning of the implementation of the programme, of which an amount worth $183,725,879 was distributed to end-users in the centre and south of the country. The focus of activity in this sector has been to provide a broad range of medicines, medical and dental equipment and to support the distribution of supplies in order to maintain a minimum level of health services.

25. A surge in the arrival of commodities from April 1998 onwards, coupled with the lack of transport, has added to the congestion in warehouses and slowed distribution. The handling equipment in warehouses has not been sufficient to make the best use of the existing space. Some bulky equipment has been transferred from central to governorate warehouses, but in many instances, this has served only to shift the handling problem to governorate warehouses. Increased arrivals, and the failure of some suppliers to provide testing methodology and standard solutions, have taxed the already inadequate facilities at testing laboratories and have extended the average processing time from two to three-and-a-half weeks.

26. More medicines and supplies are reaching health centres and are being dispensed to patients. The number of surgical operations has increased by 33 per cent from January to August 1998. Hospital in-patient departments receive sufficient quantities of medicines and supplies and, in all types of health facilities, there has been a steady increase in patient attendance. The availability of drugs in most public health facilities has reduced the frustration of patients previously unable to find drugs, even though some

essential drugs are still not available, and even though primary health facilities continue to be less well-stocked than are hospitals.

27. Some areas require attention. An improved epidemiological surveillance system is needed for ensuring that the procurement and distribution of drugs meets the different needs of an array of health centres and populations. A recent survey of water and sanitation facilities in hospitals has indicated that the poor condition of facilities poses a genuine health hazard. Without improvements in facilities and in staff motivation, the arrival of commodities will have little overall impact on public health services, although the range of treatment and availability of drugs can be expected to continue to expand.

28. With regard to nutrition under the current phase, the Ministry of Health provided assurances that it would procure the 8 million dollars' worth of high protein biscuits and 2.4 million dollars' worth of therapeutic milk contained in the distribution plan under this sector. If applications are submitted soon, these commodities could begin to arrive in the first few months of 1999 and be distributed through the existing network of community child care units, primary health centres and hospitals. UNICEF continues to provide, through its regular programme, support for maintaining and eventually doubling the 1,333 existing community child care units and support for 61 nutrition rehabilitation centres and the Nutrition Research Institute.

29. The nutritional status of the Iraqi population depends on access to food, as well as on other factors such as clean water, adequate sanitary conditions and health care. UNICEF has recently assessed the prevalence of malnutrition among infants and children under five during the latest in a series of nutritional status surveys. The latest survey, based on WHO/Centers for Disease Control and Prevention (CDC) reference criteria, indicates that general malnutrition among infants has stabilized at 14.7 per cent over the past year. The prevalence of general malnutrition (weight for age) for children under five has stabilized around 25 per cent in the same period. This indicates that, following the implementation of resolution 986 (1995), previously rising levels of malnutrition appear to have stabilized.

Water and sanitation

30. As at 31 October 1998, chemicals, supplies and equipment for water and sanitation valued at $37,229,993 had arrived in Iraq since the start of the implementation of the programme, of which an amount worth $15,982,619 was distributed to end-users in the centre and south of the country. The focus of activity in this sector has been to improve the quantity and quality of drinking water through the provision of both purification chemicals and equipment for treatment plants. It has also included the maintenance of equipment for operating urban sewage networks at a minimum level.

31. There have been modest increases in the pace of contracting and implementation in the past six months, but these rates of implementation vary considerably between urban and rural areas on the one hand, and among governorates on the other.

32. The pace of implementation has been constrained by the lack of cash for providing inputs such as gravel, sand, cement, pipes, digging and drainage equipment, and labour. A UNICEF analysis has estimated that over $2 million in cash is required to undertake the urgent rehabilitation of 43 water treatment plants. Likewise, over $1.5 million is required for the implementation of the emergency maintenance of 99 compact water treatment units.

33. In the 15 specific sites where resolution 986 (1995) inputs have been surveyed recently, there have been increases of between 10 per cent and 25 per cent in the availability of water. However, the increase in water production at other water treatment plants, not covered by this survey but receiving inputs nonetheless, may not have been that high. The inputs, in general, have slowed the pace of deterioration but the equipment does not address all the needs of the plants, nor do the funds suffice to significantly reverse the present deterioration. The observers report that one of the reasons for the low implementation rate, and overall minimal impact, is the low level of resources available to the sectoral authorities.

34. Untreated effluent from malfunctioning sewage systems throughout the 15 governorates flows into rivers and poses an increasingly serious environmental hazard. In Baghdad, where the programme has provided jetting vehicles to clean clogged sewers and 43 pumps for 30 pumping stations, the system's capacity to discharge sewage is reported to have improved by 20 per cent. In other areas, because of delays in ordering and installation, pumping stations and treatment facilities are deteriorating rapidly.

35. Ongoing monthly testing of water quality by the Ministry of Health has shown that water quality is improving modestly. Tests conducted in June 1998 indicate a trend towards improvement in water quality over the past three months in all governorates except in Tamim, Ninevah and Mutthana. The authorities have agreed to endorse a UNICEF-initiated national assessment of the water and sanitation sector to be conducted in early 1999.

Agriculture

36. As at 31 October 1998, agriculture inputs valued at $56,901,523 had arrived in Iraq since the beginning of the implementation of the programme of which an amount worth $23,629,613 was distributed to end-users in the centre and south of the country. The focus of activity in this sector has been to reduce the deterioration of agricultural machinery and to provide a minimum level of farm and animal production inputs as a contribution to enhancing food security.

37. In most subsectors, the efficiency of delivery and distribution has improved. On the other hand, it has become apparent that the resources provided do not adequately meet the needs of the farmers. The total number of tractors ordered under phases I to III is 825, which represents only 2.5 per cent of the estimated total requirements. A recent FAO survey of the existing stock of agricultural machinery indicated that 75 per cent of the combine harvesters and 63 per cent of the tractors needed major repairs to function adequately. Priority in distribution of spare parts has been given to governorates according to their productivity in specific crops, so that 70 per cent of the spare parts have been distributed to the six governorates that are major food-crop

producers, while 46 per cent of the pumps have been given to the five major rice-producing governorates.

38. The rate of approval and distribution for veterinary supplies has likewise increased although, lacking cold storage, appropriate equipment and transportation, certain vaccines and medications could have lost their potency in transit. Inadequacy remains a serious concern. Only 4 of the 32 district distribution points recently interviewed reported receiving sufficient medications.

39. Some issues need attention. Late delivery remains a crucial constraint since inputs must synchronize with the seasons. Pesticides, for example, which were ordered in phase III, arrived too late for use in the 1998 cropping season. In this case, the delay was due to the slow rate of approval and contracting. The replacement of electric irrigation pumps with diesel ones has made more water available to farmers, but the deterioration of almost all pumps that drain farm lands has increased the threat of waterlogging and salinization.

40. While FAO has noted increases in yields since the beginning of the programme, United Nations observers agree on the need to determine the extent to which these increases can be attributed to inputs purchased under resolution 986 (1995). In turn, it will also be necessary to assess the impact of higher food production on food security throughout the country.

Electricity

41. As at 31 October 1998, electricity equipment valued at $44,269,290 had arrived in Iraq since the start of the implementation of the programme, of which an amount worth $43,834,000 was distributed to end-users in the centre and south of the country. The focus of activity in this sector has been the delivery of electrical equipment to 21 power plants and to the four maintenance departments for each of the electricity distribution authorities, with the objective of slowing down the deterioration of the system by responding to emergency requirements.

42. At present, most power plants are working at less than 50 per cent of their installed capacity. The inputs so far have done little to improve this overall output since, in dollar terms, the inputs for phases I to III are not sufficient to make any substantial impact on the system as a whole. So far, inputs have increased electrical generation by little more than 2 or 3 per cent.

43. Were the full allocation under the current phase to be realized, this would bring about a significant improvement. It is estimated that the present gap of 1,500 MW between supply and demand could be reduced by 660 MW once this plan is realized, including most particularly, the proposed rehabilitation projects at Nasiriyah and Mullah Abdullah. Meanwhile, deterioration continues and, as a result, load-shedding is likely to be worse in 1999 than in 1998.

Education

44. As at 31 October, education supplies valued at $19,530,539 had arrived in Iraq since the start of the implementation of the programme, of which an amount

worth $5,587,931 was distributed to end-users in the centre and south of the country. The focus of activity in this sector has been to prevent the further deterioration of primary, secondary, vocational and higher education facilities by repairing schools, by providing classroom furniture, school supplies and other teaching aids and by refurbishing the Ministry of Education printing press used for producing textbooks.

45. The low rates of implementation are partially explained by the delay in receiving inputs for the printing of textbooks, the rehabilitation of schools and the production of school furniture. There are continuing obstacles to delivering inputs to schools and installing them. Since the Ministry of Education has not been able to transport materials from warehouses to schools, 40 new trucks have been ordered to facilitate deliveries. The Ministry of Education has provided $250,000 to facilitate delivery of commodities but this has only partially sufficed to pay for labour and associated materials.

46. Observers estimate that some inputs have reached approximately one third of the over 8,000 primary and secondary schools in the 15 governorates. The distribution of commodities has begun for the rehabilitation of some 2,000 primary schools identified by the Ministry of Education in its distribution plan. UNICEF estimates that approximately $144 million is required to meet the present needs for school rehabilitation, and of this amount, only $24 million, or 14 per cent, has so far been allocated. Based on UNICEF estimates, a cash component of $25 million is needed for the essential rehabilitation of 4,500 primary schools. These needs include the repair of lavatories, the provision of chalkboards and the restoration of dilapidated structures. About 50,000 desks have been produced and distributed, while another 50,000 are awaiting distribution. School desk production has been affected by the delay in importing manufacturing components. Paper, medical books, laboratory equipment, photocopying machines, computers, printers and a number of other teaching aids have all been contracted and are in the process of arrival or distribution.

47. Net primary enrolment levels fell from 94 per cent for school age children in 1991 to 84 per cent in 1996. There is no indication of any improvement in these rates.

B. Programme implementation in Dahuk, Erbil and Sulaymaniyah

Food

48. As at 31 October 1998, foodstuffs valued at $327,188,471 had been distributed to the three northern governorates under the bulk purchase agreement with the Government of Iraq since the start of the implementation of the programme. The focus of activity in this sector for the northern governorates has paralleled that in the centre and south of the country, which is to provide a food basket to every registered person containing 2,030 kilocalories per person per day, including 47 grams of protein per person per day.

49. There are, however, significant differences. The contents of the food basket last longer in the north of the country than in the south and centre. While 97 per cent of households receive their food baskets on time in the south

and centre, only 77 per cent do so in the north. This observation is subject to further review by WFP to determine if the difference is caused by a variation in the methodology of data collection or by the uneven arrival of food. Evidence suggests that the food basket features less prominently in the daily diet of the population in the northern governorates than in the south and centre.

50. Unlike the southern and central governorates, there have been noticeable changes in the incidence of malnutrition in the north. In April 1998, the prevalence of general malnutrition (weight for age) among children under five dropped from a previous high of 25.8 per cent in December 1994 to 15.1 per cent. All results are based on WHO/CDC reference criteria. Many factors influence prevalence levels, including water quality, sanitation facilities and health facilities. Caution must therefore be exercised in attributing these changes exclusively to the resolution 986 (1995) food and targeted nutrition programme.

Health and nutrition

51. As at 31 October 1998, medicines valued at $19,130,292 had been distributed to the three northern governorates under the bulk purchase agreement with the Government of Iraq since the start of the implementation of the programme. The focus of activity in this sector has been to achieve a consistent and reliable flow of medicines and medical supplies in order to maintain a minimum of health services, and to provide therapeutic milk and high protein biscuits to malnourished children and pregnant and lactating mothers.

52. WHO, in collaboration with local authorities, implements the distribution of supplies and equipment for health programmes to 29 hospitals and 381 health centres. The therapeutic milk and high protein biscuits are dispensed at nutrition rehabilitation centres, primary health centres and community child care units. WFP carries out the distribution of supplementary food rations to malnourished children and their families.

53. In spite of complaints from local authorities, medicines are more widely available in the north of Iraq than in the south and centre, thanks to the efficient distribution system set up in collaboration between WHO and the local authorities. Very few health centres, if any, ration the dispensing of medicines. The monthly allocations of tracked items cover the needs for more than one month, whereas in the south and centre, their coverage ranges between 10 and 30 days. The increased supply of drugs has led to a twofold to threefold increase in the number of patients who avail themselves of them, but in spite of this, monthly allocations in most locations last the full 30 days. The introduction of health ration cards by WHO within the next month is expected to reduce abuses of medical supplies.

54. With regard to nutrition, UNICEF is at present expanding the number of community child care units from 64 to 170, to be completed in December 1999, in order to provide better coverage of the targeted group of 250,000 children under five, of which only 120,000 have officially been referred to primary health care centres so far. A client group of 1,000 children are screened on a regular basis by the community child care units where preliminary treatment is provided, referrals are made to primary health care centres, and volunteer staff members provide ongoing nutrition education and monitoring. UNICEF and the geographical

and multidisciplinary observers, in collaboration with the Ministry of Health, are currently undertaking a study of water quality and health in order to examine the link between water quality, the spread of water-borne diseases and the persistence of moderately high levels of underweight children.

Water and sanitation

55. As at 31 October 1998, chemicals, supplies and equipment valued at $28,078,528 had arrived in the three northern governorates since the start of the implementation of the programme, of which an amount worth $21,659,951 was distributed to end-users. The focus of activity in this sector has been to maintain the existing level of water treatment and delivery, as well as sanitation services, in both urban and rural areas. Specific programmes have been designed to assist rural communities to build capacity in maintaining local water and sanitation facilities.

56. An improvement in water quality has resulted from the replacement by UNICEF of 136 broken water pumps and the repair of 20 kilometres of pipe and the installation of 183 chlorinators, together with the provision of chemicals in the three principal cities. Sanitation services have been improved by the 11 new garbage compactors and the eight sewage tankers made available by UNICEF to the three cities, and the construction of six kilometres of sewerage channels is near completion. In rural areas, 97 water projects and 25 sanitation projects have been completed at the community level.

57. A comprehensive water and sanitation planning exercise is needed in the northern governorates. One of the more critical issues is the need for a sewage treatment plant in Erbil City. A storm drain system is under construction and, unexpectedly, a number of individual households and institutions have been disposing of their sewage through illegal connections to the storm drain. Raw sewage is being deposited outside the city in farmlands at the outlet of the storm drain. While posing a serious health hazard, this offers the possibility of connecting a low-cost treatment plant to the storm drain, thus laying the foundation for a much needed sewage system.

58. According to local authorities, both the availability and the quality of water have improved significantly over recent months. Recent water testing in all three northern governorates by WHO and the Department of Health has shown that the incidence of bacteriological contamination of water samples in urban areas dropped from 24 per cent of the samples in July 1998 to less than 5 per cent of the samples in September 1998.

Agriculture

59. As at 31 October 1998, agriculture inputs valued at $40,369,420 had arrived in the three northern governorates since the start of the implementation of the programme, of which an amount worth $24,619,333 was distributed to end-users. The focus of activity in this sector has been to provide essential agricultural inputs to sustain the levels of production already achieved with resolution 986 (1995), to reverse environmental degradation through forestry and farming practices, to revive the agricultural extension service and to contribute to food security.

60. Wheat production constitutes the major farming activity in the northern areas, occupying about 80 per cent of the cultivated area. Much of the FAO programme in the north is aimed at providing subsidized inputs to small and medium-sized farms in order to reduce the cost of wheat production and to increase income. FAO reports a 25 per cent increase in yields per hectare and a decrease of 26 per cent in the cost of production as against the previous season. The Government has advised the Secretariat that, as at 31 October 1998, it had purchased a total of 185,000 tons of wheat and barley from the north, which is four times the quantity purchased in previous years and represents some 30 per cent of the total crop. The FAO programme has provided concentrated feed, pharmaceuticals and support facilities to both large and small poultry houses, which now total 227, up from 25 prior to resolution 986 (1995). In addition, 31,500 layer chickens and 106 tons of protein-rich poultry feed were distributed to 6,980 needy families in remote rural areas. As a result of increased poultry production, there has been a 35 to 40 per cent reduction in the market price of live broilers. This, in turn, has reactivated a dormant market in broiler meat. An estimated 85 per cent of animals in the region have been treated or vaccinated against major diseases, covering approximately 90 per cent of all livestock owners. FAO estimates the impact to be a 25 per cent increase in the number of animals and this is reflected in a decrease of about 40 per cent in the price of meat sold in the market.

Electricity

61. As at 31 October 1998, electricity equipment valued at $11,942,379 had arrived in the three northern governorates since the start of the implementation of the programme, of which an amount worth $2,776,081 was distributed to end-users. The focus of activity in this sector has been to arrest the deterioration in the distribution and transmission networks and to rehabilitate the two hydropower plants at Dokan and Derbandikhan, the only sources of power generation in the north.

62. Procurement and delivery in this sector have been disappointingly slow, and project implementation has not yet reached a level where a steady supply of electricity to hospitals, schools and water and sanitation facilities can be ensured. To date, supplies worth only some $20 million have been contracted. Most of the remaining phase I supplies are expected to arrive by December 1998, while phase II and III supplies are in the process of being procured and are expected to arrive in the first and second quarters of 1999. Most complementary items, which were not ordered previously, are being ordered, and delivery is expected by mid-1999.

63. As noted in my previous report (S/1998/823), management measures have been taken to remedy the slow progress in this sector. UNDP has appointed a full-time senior programme manager to Erbil responsible for the supervision and coordination of field activities, and project offices have also been established in Dahuk and Sulaymaniyah. The Office of the Iraq Programme, UNDP and the Department of Economic and Social Affairs of the United Nations Secretariat are jointly monitoring the implementation of the programme. All 12 consulting engineers responsible for emergency repairs and other work on the two dams have been recruited and are in the field, following a waiver of the normal bidding procedure so as to enable immediate deployment. Nevertheless, cumbersome and

slow procedures for procurement still hamper the operation and options to speed this up are being looked into by the Office of the Iraq Programme, UNDP and the Department of Economic and Social Affairs.

64. Repairs to the spillway gate anchorages have started and the repairs necessary to prevent catastrophic failure are nearly complete. Following the completion of structural integrity surveys, safe water levels were calculated for Derbandikhan dam, and the water levels have been maintained at acceptable levels. Engineering consultants are to commence the rehabilitation of Dokan's generating units in November 1998. In Erbil governorate, four diesel generating sets will be installed in December 1998 and will provide emergency standby power generation to hospitals and water pumping stations. While weekly planning and review meetings are now held in each of the three governorates and a monthly meeting with representatives of the local authorities is held in all three governorates, implementation can still concentrate only on the most viable and urgent projects to prevent further deterioration of generating capacity. Fundamental decisions agreed to by all parties involved need to be taken on the relation of the programme in the northern governorates to the rehabilitation of the national grid.

Education

65. As at 31 October 1998, education supplies valued at $13,765,406 had arrived in the three northern governorates since the start of the implementation of the programme, of which an amount worth $10,570,818 was delivered to end-users. The focus of activity in this sector has been the rehabilitation of schools, the production and distribution of desks, training programmes for teachers and the provision of school supplies. These activities were implemented by UNICEF and UNESCO. In addition, UNICEF has installed printing presses in Erbil and Sulaymaniyah, and UNESCO has started the construction of a small number of new schools, and the setting up of a chalk factory.

66. Out of a planned number of 110,000 desks, approximately 71,000, or 64 per cent, have been produced and distributed. This meets 70 per cent of the needs if schools continue to operate in shifts. Since the installation of equipment for the chalk factory has been delayed, UNESCO will purchase chalk until the factory becomes operational. UNESCO has undertaken construction in 64 per cent of the 159 schools targeted for rehabilitation. Another 142 schools have been rehabilitated by UNICEF.

67. Following the rehabilitation of a number of schools and an increase in the availability of school supplies, a UNICEF survey has found that net primary enrolment rates rose from 81 per cent in 1996 to 91 per cent during the reporting period.

68. In the area of child protection, UNICEF has supported the training of social workers and equipped 25 centres for disabled children. UNICEF has also signed agreements to increase the production of prosthetic and orthotic fittings for 4,000 children disabled by mines and with related injuries.

Rehabilitation of settlements

69. As at 31 October 1998, commodities valued at $3,699,764 had arrived in the three northern governorates since the start of the implementation of the programme, of which an amount worth $1,894,728 was distributed to end-users. In addition to the procurement of supplies and equipment, the United Nations Centre for Human Settlements (Habitat) has disbursed $1,044,605 in cash towards the implementation of its programme. The focus of activity in this sector has been to facilitate the resettlement of those displaced persons who wish to return to their homes by rehabilitating their villages of origin, and to assist in the construction of infrastructure in urban areas for persons who have sought refuge in urban and semi-urban areas.

70. Residents of approximately 4,5000 villages in the three northern governorates have been displaced over the past two decades and are now living in collective towns. Displaced residents have now returned in 60 per cent of these villages. During phases I to III, the United Nations Centre for Human Settlements (Habitat) has assisted in the resettlement of a selection of these villages by constructing 122 schools, 31 health centres, 56 water and sanitation projects, 48 access roads, 7 bridges and 13 veterinary clinics. A total of 17 villages have been completely rebuilt.

71. The composition of the displaced population now includes: (a) those in collective towns who are unable to return; (b) those who do not wish to return; and (c) those displaced persons who have taken refuge in urban and semi-urban areas and who, because of their vulnerable position, require water and sewage and other infrastructure services. The Centre has reoriented its programme to focus both on the original target group of those wishing to return, as well as on the most vulnerable of those displaced persons who have taken refuge in urban and semi-urban areas. These two groups make up 0.8 million persons.

Demining activities

72. As at 31 October 1998, demining equipment valued at $1,548,101 had arrived in the three northern governorates since the start of the implementation of the programme, of which an amount worth $1,542,905 was distributed to end-users. In addition to funds utilized for the procurement of the necessary supplies and equipment, the United Nations Office for Project Services (UNOPS) has disbursed $5,699,485 in cash towards the implementation of its programme. The focus of activities in this sector has been to identify existing mine fields, train local de-miners, field survey teams and demining teams, carry out demining operations and conduct mine-awareness programmes for national and international staff of the United Nations, the International Committee of the Red Cross and non-governmental organizations.

73. A minefield and mine victim survey of northern Iraq currently employs 12 teams, which are expected to complete their work in less than 11 months. The survey will provide reliable estimates on the size and location of mine-affected areas and on the numbers of deaths and injuries from mine-related accidents. The results will be openly available and will provide the facility for printing, on demand, maps marked with details of minefields and locations of victims and accidents.

74. Studies indicate that there are approximately 210 million square metres of minefields, disregarding minefields that continue to be added and new discoveries. These include 4.5 million square metres in Dahuk, 55.7 million square metres in Erbil and 149 million square metres in Sulaymaniyah. It is estimated that it will take between 35 and 75 years to clear those minefields. The United Nations has agreed with the Government of Iraq not to carry out demining activities in areas within five kilometres of the border with the Islamic Republic of Iran. Exceptions to this rule may be sought from the Government for residential farming areas within this limit.

75. In addition to isolated security incidents leading to the temporary withdrawal of staff from Choman and Sawita, the pace of removal is affected by the difficulty of detection. Since the mined areas contain metal fragments, it is difficult for most mine detectors, notably those acquired during phases I and II, to distinguish mines from other metal objects. To remedy this shortcoming, three mine detection dog teams totalling six dogs have been deployed to the region. This has accelerated the process considerably. In addition, UNOPS has launched a programme to evaluate local dogs as potential detection dogs, in line with the continuous efforts to develop a local demining capacity.

76. UNOPS continues to support two prosthetic centres in Erbil and Sulaymaniyah, and the construction of a third in Dahuk. The two existing centres have provided medical attention to 171 in-patient casualties, 1,634 out-patients and currently provide physiotherapy to 726 patients.

V. CONCLUSIONS AND RECOMMENDATIONS

77. Despite the increase in the volume of exports of oil, the financial target of the $3.1 billion required for the implementation of the enhanced distribution plan has not been met owing to low oil prices. The full implementation of the plan would have permitted a multisectoral approach to malnutrition and would have helped in preventing further deterioration of the humanitarian situation.

78. Nevertheless, the programme has continued to help provide a more adequate food basket to the Iraqi people. Given the complex interplay of food supply, health and hygiene issues, however, the full nutritional benefit of extra foodstuffs has not yet been realized. Surveys of infant malnutrition show that the improvement already noted from 1994 onwards in the three northern governorates has been sustained. However, in the centre and south of Iraq, infant malnutrition while not worsening, continues to be a grave concern. It is regrettable that although included in the enhanced distribution plan, to date no applications for targeted nutrition supplies have been received by the Secretariat.

79. Although FAO estimates that there has been a 15 per cent increase in wheat and barley yields this year, domestic food production in the centre and south of Iraq continues to suffer major shortages of inputs; food prices on the open market have risen, to the disadvantage of the poor. By contrast, however, food production in the three northern governorates has increased substantially and the food prices on the open market have continued to decline.

80. In the health sector, an increasing influx of supplies has expanded the range of treatment available and drugs are more widely available at all levels of the health-care system. Preventive health care, however, has not received appropriate attention. The full range of urgently needed essential drugs is still not available on a regular basis, mostly because of poor procurement planning and stock management. Major problems are also encountered in ensuring the timely distribution of the hospital equipment that has been received under the programme.

81. The electricity, water and sanitation sectors have been experiencing similar problems in that inputs tend to have only a localized impact, which cannot offset the continuing structural deterioration of those sectors as a whole. Increased quantities of chlorinated water are being produced; however, the decaying distribution network precludes guaranteed safe drinking water. Water-borne diseases continue to be a major threat. The enhanced distribution plan has started to address the widening gap between supply and demand of electricity. However, because of limited funding, there can be no short-term solutions to the accelerating deterioration in the power generation and distribution systems. The consumers will therefore experience worse power cuts next year than at present.

82. Although an increasing number of schools are receiving furniture and educational supplies under the programme, relatively little rehabilitation of school buildings has taken place throughout the country. Improved distribution of school supplies in the three northern governorates has brought about an increase in enrolment.

83. The present funding constraints are likely to continue. It is estimated that for the current phase revenues will reach $3.15 billion. After deductions pursuant to paragraph 8 of resolution 986 (1995), $1.98 billion will be available for the humanitarian programme, including $300 million for oil spare parts and equipment, as authorized by resolution 1175 (1998).

84. As outlined in my letter dated 15 April 1998 addressed to the President of the Council (S/1998/330 and Corr.1), the oil industry of Iraq is in a lamentable state, with the initial authorized sum of $300 million for spare parts and equipment being sufficient only for the most essential and urgent needs. During the contracting process, significant price increases for many items on the list have been identified. The delays in the pace of approvals for spare parts and equipment for the oil industry are regrettable. While welcoming the fact that a number of applications placed on hold have now been released, I hope the Security Council Committee will expedite the approval of applications essential for the increase of oil production and exports. At the same time, I urge the Government of Iraq to further prioritize its request for spare parts and equipment with a view to enhancing its oil export capacity. The Secretariat remains ready to assist the Security Council Committee in providing any additional information required in the consideration of the applications concerned.

85. The failure to reach the target of $3.1 billion for the implementation of the enhanced distribution plan for the reasons given above has been compounded by the increased level of funds due for reimbursement from the 13 per cent

account to the 53 per cent account, for bulk procurement of food and medicine, which now totals $237,588,447. It is essential to resolve this matter most urgently in order to improve the pace of implementation and effectiveness of the programme. The Office of the Iraq Programme is reviewing various options to resolve the difficulties encountered.

86. Bearing in mind the magnitude of the overall humanitarian situation in Iraq, I recommend that the Security Council extend the relevant provisions of resolution 1153 (1998) for a further 180-day period, subject to any other relevant action with regard to the provisions of resolution 661 (1990).

87. I take this opportunity to express my appreciation for the dedication and commitment of all staff of the United Nations system involved in the implementation of the programme. I also wish to express my appreciation to the Government of Iraq for its cooperation.

Annex

United Nations Iraq Account

1. The Security Council, in its resolution 1153 (1998), authorized the Government of Iraq to export petroleum and petroleum products for a new period of 180 days beginning at 0001 hours Eastern Standard Time on the day after the President of the Council informed the members of the Council that he had received the report of the Secretary-General approving the distribution plan submitted by the Government of Iraq. The enhanced distribution plan was approved by the Secretary-General on 29 May 1998, and the 180-day period commenced at 0001 hours Eastern Standard Time on 30 May 1998.

2. As at 31 October 1998, of the $5.256 billion authorized under resolution 1153 (1998), $2,039.5 million had been deposited into the account for phase IV, bringing the total oil sale since inception to $8,399.2 million.

3. The allocation of total oil proceeds received from inception to date and the corresponding expenditures are as follows:

(a) $4,194.5 million has been allocated for the purchase of humanitarian supplies by the Government of Iraq, as specified in paragraph 8 (a) of resolution 986 (1995). Letters of credit issued by the Banque Nationale de Paris on behalf of the United Nations for the payment of those supplies for the whole of Iraq amounted to $4,357.9 million under phases I-IV, which include an amount of $163.4 million due for the reimbursement for bulk purchases made by the Government of Iraq for northern Iraq and distributed by the United Nations Inter-Agency Humanitarian Programme;

(b) $1,028.2 million has been allocated for the purchase of humanitarian goods to be distributed in the three northern governorates by the United Nations Inter-Agency Humanitarian Programme, as specified in paragraph 8 (b) of the resolution. Expenditures recorded for humanitarian goods approved by the Security Council Committee amounted to $656.0 million;

(c) $2,492.1 million has been transferred directly into the United Nations Compensation Fund, as specified in paragraph 8 (c) of the resolution. As at 31 October 1998, a total of $68.3 million had been allotted to cover the operating expenditures of the Compensation Commission and an amount of $1,901.6 million for payment of the first, second third and fourth instalments of "A" and "C" claims;

(d) $175.2 million has been allocated for the operational and administrative expenses of the United Nations associated with the implementation of resolution 986 (1995), as specified in paragraph 8 (d) of the resolution. Expenditures for administrative costs for all United Nations entities involved in implementing the resolution amounted to $115.9 million;

(e) $59.4 million has been allocated to the United Nations Special Commission for the Disarmament of Iraq (UNSCOM) for its operating expenses, as

specified in paragraph 8 (e) of the resolution. Expenditures for the Commission amounted to $42.3 million;

(f) $370.7 million has been set aside for the transportation costs of petroleum and petroleum products originating in Iraq exported via the Kirkuk-Yumurtalik pipeline through Turkey, in accordance with paragraph 8 (f) of the resolution and in line with procedures adopted by the Security Council Committee. Of that amount, $289.7 million has been paid to the Government of Turkey;

(g) $79.1 million has been transferred directly to the escrow account established pursuant to resolution 706 (1991) of 15 August 1991 and 712 (1991) of 19 September 1991 for the repayments envisaged under paragraph 6 of resolution 778 (1992) of 2 October 1992, as specified in paragraph 8 (g) of resolution 986 (1995).